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Dear Mr. Chairman of the Board of Directors,

..... Bank

Further to our letter dated 21 December 2015 regarding the Regulations governing importation and referring to the meeting held at the CBE's Headquarters to discuss banks' inquiries about these Regulations, I would like to advise you that:

**First:** for the first clause concerning import transactions carried out on the basis of documentary collection, they shall be confined to those documents sent directly to banks from offshore banks, as no import documents shall be accepted directly from customers. **In this context, this provision shall not apply to the import transactions pertaining to:**

- 1- Branches or affiliates of foreign companies;
- 2- Livestock and poultry; and
- 3- Raw materials, production requirements and spare-parts for factories, shipped by air.

**Second: for the second clause obliging banks to acquire a cash margin of 100%, instead of 50%, it is worthy to highlight the following points:**

- 1- Banks may receive the said cash margin in Egyptian pound, while maintaining an appropriate markup for exchange rate fluctuations, or in foreign currencies, without breaching the maximum limit of foreign currency cash deposits.<sup>1</sup>
- 2- **The following items shall be added to the second clause:**
  - a- Import transactions carried out through unconfirmed deferred-payment shipping documents.
  - b- The 100% cash cover shall apply to import shipments for commercial purposes under a standby L/C.
- 3- **The 100% cash margin requirement shall not apply to the following imports:**
  1. Medical appliances, equipment and supplies;
  2. Spare parts of machinery and equipment; and
  3. Software, applications, computers and their supplies.

<sup>1</sup> As indicated in the Circular issued on 23 April 2015.



- 4- Credit facilities limit granted in local currency to customers for commercial purposes shall not be used to cover foreign currency needs for import transactions **at sight**, whether these currencies are available through Central Bank's auctions, or through the bank's own sources of foreign currency.

**Third: for the third clause concerning refinance of import operations, the following requirements should be observed:**

- 1- Banks are allowed to refinance imports for commercial purposes **that have been shipped no later than 31 December 2015.**
- 2- Banks are permitted to refinance the import transactions set out in the second clause, item (3) above.
- 3- Refinancing the imports of intermediate commodities and production requirements intended for sale to manufacturing companies shall be accepted (provided a contractual relation with the factories exists and the provisions of the first clause are applied), after referring the matter to the Supervision Sector for consideration on a case by case basis.

**We enclose herewith the clarifications referred to above, after their inclusion in the decision of the BoD of the Central Bank of Egypt, in its session on 16 December 2015 for convenience of reference.**

**Kindly give your instructions that necessary action be taken for the application of the above decision.**

**Best regards  
Tarek Amer**



**Clarifications about the Decision of the Board of Directors of the  
Central Bank of Egypt**

**Issued on its Session on 16 December 2015  
On Import Transactions**

Some clarifications have been added to the Circular dated 21 December 2015, as part of the BoD decision issued on 16 December 2015, for convenience of reference, in the following manner:

**First:** For import transactions carried out on the basis of documentary collection, they shall be effected only through documents remitted directly to banks from offshore banks. No import documents shall be accepted directly from customers. Banks shall have one month starting from the date of the decision to act accordingly. **Importantly, this requirement shall not apply to the import transactions pertaining to:**

- 1- Branches or affiliates of foreign companies;
- 2- Livestock and poultry; and
- 3- Raw materials, production requirements and spare-parts for factories, shipped by air.

**Second: banks shall be obliged to acquire a cash margin of 100%, instead of 50%,** as prescribed in Circular No. 86, dated 28 June 2010, and its subsequent circulars, in the following manner:

- 1- Letters of credit opened to finance commodity imports for the account of commercial companies or government entities. The 100% cash margin shall also be acquired in the case of confirmation of drafts provided under suppliers' facilities to import such commodities for the account of these entities, or in import transactions effected through unconfirmed deferred-payment shipping documents, or to meet any obligations on the bank, including issuing guarantee letters for the account of traders and government entities.
- 2- Banks may receive the said cash margin in Egyptian pound, while maintaining an appropriate markup for exchange rate fluctuations, or in foreign currencies, without breaching the maximum limit of foreign currency cash deposits.<sup>2</sup>

<sup>2</sup> As indicated in the Circular issued on 23 April 2015.



- 3- The 100% cash cover shall apply to import shipments for commercial purposes under a standby L/C.
- 4- **Exemption from the cash margin** – stated in Circular No. 124 dated 30 September 2010, and its subsequent circulars, with the last circular of which being issued on 13 May 2015, **shall be confined to the following imports:**
  - Medicines, vaccines and related chemicals;
  - Baby formula;
  - Medical appliances, equipment and supplies;
  - Spare parts of machinery and equipment; and
  - Software, applications, computers and supplies.
- 5- Credit limits granted by banks to customers may not be used to pay the cash margin, prescribed above, including commercial papers/securities backed credit. Local currency credit limits granted to customers for trade purposes shall not be used to cover foreign currency needs for import transactions **at sight**, whether these currencies are available through Central Bank's auctions, or through the bank's own sources of foreign currency.
- 6- Letters of credit opened for commodity imports for non-commercial purposes, such as capital commodities or production requirements and raw materials, and the like, imported by factories, shall not be subject to any restrictions, except the normal banking regulations.
- 7- The above regulations shall be applied on import operations starting the 1<sup>st</sup> of January 2016.

**Third:** It is prohibited to refinance imports for commercial purposes, subject to 100% cash margin as outlined in the preceding clause, through granting temporary credit limits in foreign currencies, as per Circular of Deputy Governor of the Central Bank of Egypt, No. 9 on 14 January 2013. However, refinancing of the following import transactions shall remain permissible:

- a- Import transactions for non-commercial purposes;
- b- Basic foodstuffs and supply commodities (excluding General Authority for Supply Commodities); and
- c- Goods and products set forth in the second clause, item (4) above.



***The above regulations shall be applied, taking into consideration that:***

- 1- Banks are allowed to refinance import transactions for commercial purposes **that have been shipped no later than 31 December 2015.**
  
- 2- Refinancing the imports of intermediate commodities and production requirements intended for sale to manufacturing companies shall be accepted (provided a contractual relation with the factories exists and the provisions of the first clause are applied), after referring the matter to the Supervision Sector for consideration on a case by case basis.

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